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Chairperson's Corner

by Amy S. Timmons

As the new Chair to the Pension Section Council, I wanted to let you know what the main issues and concerns of the Council members are and what we're trying to do about them.

The biggest issue faced by the Pension Section Council is the need to demonstrate to pension actuaries the value of belonging to the Society of Actuaries and, particularly, the Pension Section. We continually have discussions on how best to serve our members given that fewer and fewer Pension actuaries are attaining Fellowship and the lack of credit for the Enrollment exams towards Associateship in the Society. Employers typically place greater importance on Enrollment rather than membership in the Society. Therefore, we are striving to "add value" (as the latest buzzword goes) to your membership in the Society and the Pension Section.

To demonstrate the value of your membership in the Society and the Section, we have set a major goal for

(continued on page 14, column 1)

Summary of 1999 IRC, PBGC, Federal Income Tax, Social Security, and Medicare Amounts

by Heidi R. Dexter

IRC Qualified Retirement Plan Limits

IRS annually adjusts qualified plan limits for increases in the cost of living. The 1999 limits reflect third quarter CPI increases from 1998 to 1999, and they are rounded down to multiples of \$50, \$500, \$5,000, or \$10,000. The table on page 3 shows the 1999 limits before rounding and a five year summary of rounded IRC qualified plan limits. Low inflation during the past year (1.6%) kept most limits at their 1998 levels. (See Table 1, page 2)

PBGC Guaranteed Benefits

The maximum PBGC guaranteed monthly benefit is adjusted annually based on changes in the Social Security contribution and benefit base. For a single-employer defined benefit plan terminating in 1999, the maximum guaranteed benefit will be \$3,051.14 per month—a 5.9% increase over the 1998 limit of \$2,880.68. This amount is adjusted if benefit payments start before age 65 or benefits are paid in a form other than a single-life annuity.

Federal Income Tax Factors

Federal income tax factors are adjusted annually based on year-to-year changes in the average cost of living (CPI-U) for the 12 months from September through the following August. Federal income tax factors increased 1.6% from 1998 to 1999, before rounding. (See Table 2, page 4)

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Summary of 1999 IRC, PBGC, Federal Income Tax, Social Security, and Medicare Amounts
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TABLE 1

<i>IRC Limit</i>	<i>Unrounded</i>	<i>Rounded IRC Limits</i>				
	<i>1999</i>	<i>1999</i>	<i>1998</i>	<i>1997</i>	<i>1996</i>	<i>1995</i>
401(k) plan elective deferral limit	\$10,357	\$10,000	\$10,000	\$9,500	\$9,500	\$9,240
403(b) plan elective deferral limit	10,357	10,000	10,000	9,500	9,500	9,500
Eligible 457 plan deferral limit	8,228	8,000	8,000	7,500	7,500	7,500
SIMPLE plan elective deferral limit	6,230	6,000	6,000	6,000	N/A	N/A
415 defined benefit maximum annuity	133,164	130,000	130,000	125,000	120,000	120,000
415 special limit for police & firefighters ¹	133,164	130,000	130,000	125,000	66,000	66,000
415 defined contribution maximum annual addition	33,630	30,000	30,000	30,000	30,000	30,000
401(a)(17) and 408(k)(3)(C) compensation limit	168,150	160,000	160,000	160,000	150,000	150,000
414(q)(1)(B) highly compensated employee	83,064	80,000	80,000	80,000	100,000	100,000
414(q)(1)(C) top paid group	83,064	80,000	80,000	80,000	66,000	66,000
408(k)(2)(C) SEP minimum compensation	444	400	400	400	400	400
409(o)(1)(c) tax-credit ESOP distribution period:						
5-year max. balance	739,800	735,000	725,000	710,000	690,000	670,000
1-year extension	147,960	145,000	145,000	140,000	135,000	132,000

¹The Taxpayer Relief Act of 1997 amended section 415(b)(2)(G) to provide that the maximum annuity payable to qualified police and firefighters is not reduced for commencement before Social Security normal retirement age for plan years beginning after December 31, 1996.

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Summary of 1999 IRC, PBGC, Federal Income Tax, Social Security, and Medicare Amounts
continued from page 3

TABLE 2

<i>Item and Filing Status</i>	<i>1999</i>	<i>1998</i>
Personal Exemption	\$2,750	\$2,700
Standard Deduction		
Single	4,300	4,250
Head of Household	6,350	6,250
Married, Filing Jointly	7,200	7,100
Married, Filing Separately	3,600	3,550
Additionally Standard Deduction (for elderly or blind)		
Unmarried	1,050	1,050
Married	850	850
“Kiddie” Deduction	700	700
Breakpoint between 15% and 28% rates		
Single	25,750	25,350
Head of Household	34,550	33,950
Married, Filing Jointly	43,050	42,350
Married, Filing Separately	21,525	21,175
Breakpoint between 28% and 31% rates		
Single	62,450	61,400
Head of Household	89,150	87,700
Married, Filing Jointly	104,050	102,300
Married, Filing Separately	52,025	51,150
Breakpoint between 31% and 36% rates		
Single	130,250	128,100
Head of Household	144,400	142,000
Married, Filing Jointly	158,550	155,950
Married, Filing Separately	79,275	77,975
Breakpoint between 31% and 36% rates		
Single	283,150	278,450
Head of Household	283,150	278,450
Married, Filing Jointly	283,150	278,450
Married, Filing Separately	141,575	139,225

(continued on page 5, column 1)

Personal exemptions are phased out for taxpayers whose adjusted gross incomes exceed specified amounts (which vary by tax filing status). For 1999, these "threshold amounts" at which phase-out begins and ends are shown in *Table 3*:

TABLE 3

Filing Status	Phase-Out Begins at	Phase-Out Completed After
Unmarried	\$126,600	\$249,100
Head of Household	158,300	280,800
Married, Filing Jointly	189,950	312,450
Married, Filing Separately	94,975	156,225

Total itemized deductions for 1999 are reduced by 3% of a taxpayers adjusted gross income in excess of \$126,600 (\$63,300 for married, filing separately), an increase from \$124,500 in 1997 (\$62,250 for married, filing separately).

Certain taxpayers are entitled to an earned income tax credit (EIC) equal to the maximum credit amount reduced by

the phase-out amount. The phase-out amount equals the produce of the phase-out percentage (based on the number of qualifying children) multiplied by the excess, if any, of the taxpayer's modified adjusted gross income or earned income, whichever is greater, over the threshold phase-out amount. (See Table 4 below).

Social Security and Supplemental Security Income Amounts

Social Security benefits payable December 31, 1998, will increase 1.3%—the increase in CPI-W from the third quarter of 1997 to the third quarter of 1998. The average monthly Social Security benefits before and after the December 1998 COLA shown in Table 5 below:

TABLE 4

	1999	1998
EIC maximum credit amount:		
No qualifying children	\$347	\$341
One qualifying child	2,312	2,271
Two or more qualifying children	3,816	3,756
EIC threshold phase-out amount (and percentage):		
No qualifying children (7.65%)	\$5,670	5,570
One qualifying (15.98%)	12,460	12,260
Two or more qualifying children (21.06%)	12,460	12,260

TABLE 5

	After 12/98 1.3% COLA	Before 12/98 1.3% COLA
Average monthly Social Security benefit:		
All retired workers	\$780	\$770
Aged couple, both receiving benefits	1,310	1,293
Widowed mother and two children	1,554	1,534
Aged widow(er)	749	740
Disabled worker, spouse, and children	1,217	1,202
All disabled workers	733	724

(continued on page 6, column 1)

Summary of 1999 IRC, PBGC, Federal Income Tax, Social Security, and Medicare Amounts

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The 1999 taxable wage base, determined from the change in deemed average annual wages from 1995 to 1997, will increase 6.1%. Other 1998 Social Security and Supplemental Security Income value are shown in Table 6 below:

TABLE 6

IRC Limit	1999	1999
Cost-of living increase	1.3%	2.1%
Average annual wage (2nd preceeding year)	27,426.00	25,913.90
Contribution and benefit bases (wage base):		
OASDI	72,600	68,400
HI	No Limit	No limit
“Old law” contribution and benefit base	53,700	50,700
Retirement earnings test exempt amount (annual):		
Under age 65	9,600	9,120
Ages 65 through 69	15,500	14,500
Wages needed for a quarter of coverage	740	700
Maximum monthly Social Security benefit worker retiring in January at age 65	1,373	1,342
Bend-points—PIA formula applied to average indexed monthly earnings (AIME):		
90% of AIME up to		
32% of AIME over first bend-point up to	505	477
15% of AIME over second bend-point	3,043	2,875
Bend-points—maximum family benefit formula applied to worker’s PIA:		
150% of PIA up to		
272% of PIA over first bend-point up to	645	609
134% of PIA over second bend-point up to	931	880
175% of PIA over third bend-point	1,214	1,147
SSI federal payment standard (monthly)		
Individual	500	494
Couple	751	741
SSI resources limit		
Individual	2,000	2,000
Couple	3,000	3,000
FICA tax rates:		
OASDI employer and employee	6.20%	6.20%
HI employer and employee	1.45%	1.45%
OASDI self-employed	12.40%	12.40%
HI self-employed	2.90%	2.90%
Maximum employee payroll tax:		
OASDI	\$4,501.20	\$4,240.80
HI	No limit	No limit
Total	No limit	No limit

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Covered Compensation

Covered compensation determines permitted and imputed disparity limits for qualified retirement plans. In lieu

of using the actual covered compensation amount, qualified plans may determine permitted or imputed disparity using a rounded covered compensation table published annually by IRS. The

1999 table, published in Revenue Ruling 98-53, is rounded to the nearest \$3,000, but not more than the 1999 OASDI taxable wage base of \$72,600.

TABLE 7 (PART 1 OF 2)

Calendar Year of Birth	Social Security Retirement Age	Calendar Year of Social Security Retirement Age	Covered Compensation		Rounded Covered Compensation	
			1999	1998	1999	1998
1906	65	1971	4,320	4,320	3,000	3,000
1907	65	1972	4,488	4,488	3,000	3,000
1908	65	1973	4,704	4,704	6,000	6,000
1909	65	1974	5,004	5,004	6,000	6,000
1910	65	1975	5,316	5,316	6,000	6,000
1911	65	1976	5,664	5,664	6,000	6,000
1912	65	1977	6,060	6,060	6,000	6,000
1913	65	1978	6,480	6,480	6,000	6,000
1914	65	1979	7,044	7,044	6,000	6,000
1915	65	1980	7,692	7,692	9,000	9,000
1916	65	1981	8,460	8,460	9,000	9,000
1917	65	1982	9,300	9,300	9,000	9,000
1918	65	1983	10,236	10,236	9,000	9,000
1919	65	1984	11,232	11,232	12,000	12,000
1920	65	1985	12,276	12,276	12,000	12,000
1921	65	1986	13,368	13,368	12,000	12,000
1922	65	1987	14,520	14,520	15,000	15,000
1923	65	1988	15,708	15,708	15,000	15,000
1924	65	1989	16,968	16,968	18,000	18,000
1925	65	1990	18,312	18,312	18,000	18,000
1926	65	1991	19,728	19,728	21,000	21,000
1927	65	1992	21,192	21,192	21,000	21,000
1928	65	1993	22,716	22,716	24,000	24,000
1929	65	1994	24,312	24,312	24,000	24,000
1930	65	1995	25,920	25,920	27,000	27,000
1931	65	1996	27,576	27,576	27,000	27,000
1932	65	1997	29,304	29,304	30,000	30,000
1933	65	1998	31,128	31,128	30,000	30,000
1934	65	1999	33,060	32,940	33,000	33,000
1935	65	2000	34,992	34,752	36,000	36,000
1936	65	2001	36,888	36,528	36,000	36,000
1937	65	2002	38,772	38,292	39,000	39,000
1938	66	2004	42,468	41,748	42,000	42,000
1939	66	2005	44,328	43,488	45,000	45,000

(continued on page 8, column 1)

Summary of 1999 IRC, PBGC, Federal Income Tax, Social Security, and Medicare Amounts
continued from page 7

TABLE 7 (PART 2 OF 2)

<i>Calendar Year of Birth</i>	<i>Social Security Retirement Age</i>	<i>Calendar Year of Social Security Retirement Age</i>	<i>Covered Compensation</i>		<i>Rounded Covered Compensation</i>	
			<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
1940	66	2006	46,176	45,216	45,000	45,000
1941	66	2007	47,988	46,908	48,000	48,000
1942	66	2008	49,752	48,552	51,000	48,000
1943	66	2009	51,456	50,136	51,000	51,000
1944	66	2010	53,124	51,684	54,000	51,000
1945	66	2011	54,768	53,208	54,000	54,000
1946	66	2012	56,368	54,684	57,000	54,000
1947	66	2013	57,936	56,136	57,000	57,000
1948	66	2014	59,352	57,432	60,000	57,000
1949	66	2015	60,684	58,644	60,000	60,000
1950	66	2016	61,920	59,760	63,000	60,000
1951	66	2017	63,060	60,780	63,000	60,000
1952	66	2018	64,116	61,716	63,000	63,000
1953	66	2019	65,112	62,592	66,000	63,000
1954	66	2020	66,060	63,420	66,000	63,000
1955	67	2022	67,752	64,872	69,000	66,000
1956	67	2023	68,544	65,554	69,000	66,000
1957	67	2024	69,240	66,120	69,000	66,000
1958	67	2025	69,852	66,612	69,000	66,000
1959	67	2026	70,404	67,044	69,000	66,000
1960	67	2027	70,884	67,404	72,000	68,400
1961	67	2028	71,316	67,716	72,000	68,400
1962	67	2029	71,664	67,944	72,000	68,400
1963	67	2030	71,988	68,148	72,000	68,400
1964	67	2031	72,264	68,304	72,000	68,400
1965	67	2032	72,480	68,400	72,600	68,400
1966 or later	67	2033	72,600	68,400	72,600	68,400

TABLE 8

Medicare Premiums and Deductibles

Medicare premiums, coinsurance, and deductible amounts have changed little since 1998.
(See Table 8)

	1999	1998
<i>Part A-Hospital Insurance</i>		
Inpatient hospital deductible	\$768.00	\$764.00
Coinsurance:		
— Daily coinsurance payment for 61-90 days of inpatient hospital care	192.00	191.00
— Coinsurance for up to 60 lifetime reserve days	384.00	382.00
— Early coinsurance payment for 21 - 100 days in a skilled nursing facility following a hospital stay of at least three days	96.00	95.50
Voluntary premium for persons not eligible for monthly benefits	309.00	309.00
Alternative reduced premium for persons with 30 - 39 credits	170.00	170.00
<i>Part B-Medical Insurance</i>		
Annual deductible	100.00	100.00
Monthly premium	45.50	43.80

Heidi R. Dexter, FSA, is a Principal at William M. Mercer, Inc. in Seattle, WA.

Minutes of the Retirement Systems Research & Professional Education & Development Joint Committee Meeting

July 17, 1998
Donatello Hotel
San Francisco, CA

In Attendance:

CRSR: Larry Pinzur-Chair,
 Zenaida Samaniego, Bill
 Torrie, Henry Winslow

CRSPED: Marilyn Oliver-Miller,
 Mary Adams, Debra Nice,
 Kevin Shand

SOA Staff: Judy Anderson, Barb
 Choyke, Tom Edwalds

I. Administration

A. Kevin Shand will take minutes.

B. Future Meetings

The October meeting will be held at the Marriott Marquis in New York City, NY on Thursday, October 15, 1998. Thursday night the group will get together for dinner.